

JUL 18 '97

1-13 PM

LAW OFFICES  
**GARVEY, SCHUBERT & BARER**  
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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SECOND & SENeca BUILDING  
1191 SECOND AVENUE  
SEATTLE, WASHINGTON 98101-2939  
(206) 464-3939

FAX: (206) 464-0125

PLEASE REPLY TO SEATTLE OFFICE

Voice Mail Ext. 1408

July 17, 1997

PORTLAND  
ELEVENTH FLOOR  
121 S.W. MORRISON STREET  
PORTLAND, OREGON 97204-3147  
(503) 228-3199

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
JUL 18 1 13 PM '97

Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street N.W., Suite 700  
Washington, D.C. 20423

VIA FEDERAL EXPRESS

Dear Secretary:

I have enclosed two executed originals of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. This document is a Mortgage, a primary document, dated July 7, 1997.

The names and addresses of the parties to the documents are as follows:

Mortgagee: Hongkong Bank of Canada, 700 Fifth Avenue, Suite 4100, Seattle, WA 98104. ③

Mortgagor: Centennial Gas Liquids, L.L.C., 7555 East Hampden Avenue, Suite 512, Denver, CO 80231. ②

A description of the equipment covered by the document follows:

Eighteen (18) railroad cars, each 33,687 gallons, 112J34OW, non-coiled railroad tank car with thermal protection, B-612 gauging device, and black DTM exterior paint, with sequential Reporting Marks and Running Nos. CRPX 9701 to CRPX 9718, inclusive, and Serial Nos. 525839 to 525856, inclusive.

A fee of \$24.00 is enclosed. Please return the original documents to Mark A. Rowley, Garvey, Schubert & Barer, 1191 Second Avenue, 18th Floor, Seattle, WA 98101-2939.

Secretary, Surface Transportation Board  
July 17, 1997  
Page 2

A short summary of the document to appear in the index follows:

Mortgage between Hongkong Bank of Canada, 700 Fifth Avenue, Suite 4100, Seattle, WA 98104, mortgagee, and Centennial Gas Liquids, L.L.C., 7555 East Hampden Avenue, Suite 512, Denver, CO 80231, mortgagor, dated July 7, 1997 and covering eighteen (18) railroad cars, each 33,687 gallons, 112J340W, non-coiled railroad tank car with thermal protection, B-612 gauging device, and black DTM exterior paint, with sequential Reporting Marks and Running Nos. CRPX 9701 to CRPX 9718, inclusive, and Serial Nos. 525839 to 525856, inclusive.

HONGKONG BANK OF CANADA

By GARVEY, SCHUBERT & BARER,  
Its attorneys-in-fact

By   
Mark A. Rowley

Enclosures

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D. C. 20423-0001

OFFICE OF THE SECRETARY

Mark A. Rowley  
Garvey, Schubert & Barer  
1191 Second Avenue, 18th Floor  
Seattle, Washington, 98101-2939

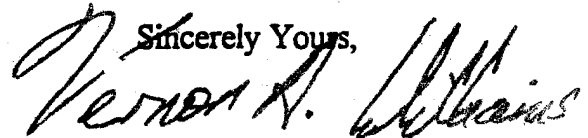
n

DATE: 7/18/97

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of 49 U.S.C. 11301  
and 49 CFR 1177.3 (c), on 7/18/97 at 1:13PM, and  
assigned recordation number(s). 20777.

Sincerely Yours,

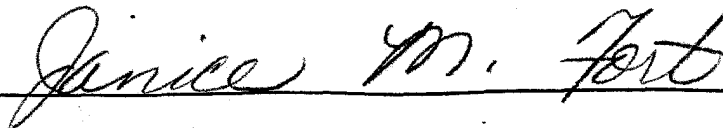


Vernon A. Williams  
Secretary

Enclosure(s)

\$ 24.00 The amount indicated at the left has been received in payment of a fee in  
connection with a document filed on the date shown. This receipt is issued for the amount paid.  
In the event of an error or any questions concerning this fee, you will receive a notification after  
the Surface Transportation Board has an opportunity to examine your document.

Signature



JUL 18 '97

1-13PM

## MORTGAGE

This Mortgage, dated as of July 7, 1997, is made by Centennial Gas Liquids, L.L.C., a Colorado limited liability company (hereinafter called "Mortgagor"), in favor of Hongkong Bank of Canada (hereinafter called "Mortgagee").

MORTGAGOR HEREBY WARRANTS, REPRESENTS, COVENANTS AND AGREES WITH MORTGAGEE AS FOLLOWS:

1. Grant of Security Interest. Mortgagor hereby grants to Mortgagee a security interest in eighteen (18) railroad cars, each 33,687 gallons, 112J34OW, non-coiled railroad tank car with thermal protection, B-612 gauging device, and black DTM exterior paint, as more specifically identified in Exhibit A attached hereto, together with all revenue and other income derived therefrom and all proceeds thereof, including without limitation, insurance proceeds (collectively hereinafter, the "Collateral").

2. Obligations Secured. This Mortgage secures the payment and performance of all indebtedness and obligations of Mortgagor to Mortgagee presently existing and hereafter arising, direct or indirect, and interest thereon, including without limitation, full and timely compliance with the obligations, covenants and conditions of Mortgagor to Mortgagee under a certain commitment letter, dated May 5, 1997, and the Promissory Note, dated as of July 7, 1997 payable to Mortgagee in the amount of U.S. \$1,000,000 (herein, the "Note").

3. Covenants. Mortgagor shall timely perform the following covenants:

a. Regulations. Mortgagor shall comply with any governmental regulation affecting the use of the Collateral, shall not waste, injure nor destroy the Collateral, nor use nor permit the use of the Collateral in any unlawful manner. Mortgagor shall obtain all licenses and permits required for the use and operation of the railroad cars.

b. Security Interests. Mortgagor shall not create nor permit the existence of any lien or security interest other than that created hereby on the Collateral without the written consent of Mortgagee. Any certificate of title now or hereafter existing on any of the Collateral shall be delivered to Mortgagee and shall recite the interest of Mortgagee.

c. Use of Collateral. Mortgagor shall use the Collateral only within the United States and no other country without the written consent of Mortgagee.

d. Sale of Collateral. Mortgagor shall not sell or lease the Collateral or any interest therein without the prior written consent of Mortgagee. Mortgagee shall not unreasonably withhold its consent to the lease of any portion of the Collateral provided that Mortgagor provides Mortgagee with the identity of the lessee, the identification of the railroad cars leased, a copy of the lease agreement, and amounts to be paid thereunder. Mortgagee may require as a condition to its consent an assignment of the rents payable under said leases, as additional collateral for the Note, pursuant to the terms of an assignment of rents in form satisfactory to Mortgagee.

e. Taxes. Mortgagor shall pay before delinquency all taxes or other governmental charges that are or may become a lien or charge on the Collateral and shall pay any tax which may be levied on any obligation secured hereby.

f. Maintenance. Mortgagor shall keep maintain and repair the Collateral. Mortgagee may inspect the Collateral at reasonable times and intervals and may for this purpose enter the premises upon which any Collateral may be located.

g. Insurance. Mortgagor shall keep the Collateral continuously insured by an insurer approved by Mortgagee against fire, theft and other hazards designated by Mortgagee, in an amount not less than the balance of the Obligations secured hereby, with such form of loss-payable clause as designated by and in favor of Mortgagee, and shall deliver the policies and evidence showing payment of premiums to the Mortgagee. In the event of loss, Mortgagee shall have full power to collect any and all insurance upon the Collateral and to apply the same at its option to any obligation secured hereby, whether or not matured, or to the restoration or repair of the Collateral. Mortgagee shall have no liability whatsoever for any loss that may occur by reason of the omission or lack of coverage of any such insurance.

h. Accounts and Reports. Mortgagor shall keep true and accurate records and books of account in which full, true and correct entries shall be made of all dealings or transactions in relation to its business and affairs in accordance with generally-accepted accounting principles applied on a consistent basis.

4. Representations and Warranties. Mortgagor represents and warrants to Mortgagee:

a. Status. Mortgagor is a limited liability company duly organized and validly existing, in good standing under the

laws of Colorado and in each jurisdiction in which it is doing business, with powers adequate for performing this Mortgage. Mortgagor is duly organized and qualified under all applicable laws, regulations, ordinances and orders of public authorities to carry on such business. The execution, delivery and performance of this Mortgage have been duly authorized by all necessary corporate action required by Mortgagor's articles of organization and operating agreement and all applicable laws. The execution and performance of this Mortgage shall not violate any provision of Mortgagor's articles of organization or operating agreement. Mortgagor shall cause to be done all things necessary to maintain and preserve its corporate existence as represented in this paragraph and its rights and franchises, and shall comply with all related laws applicable to Mortgagor in such manner as its counsel shall advise.

b. No Default. The execution and performance of this Mortgage shall not violate any provision of any applicable law and shall not conflict with or result in any breach of any of the terms, conditions or provisions of, or result in the creation or imposition of any lien, charge or encumbrance upon any of the properties or assets of Mortgagor pursuant to the terms of, or constitute a default under, any other indenture, contract, mortgage, deed of trust or other agreement or instrument to which Mortgagor is a party or by which it is bound. There exists no default under the provisions of any instrument evidencing any indebtedness of Mortgagor or of any agreement relating thereto.

c. Binding Obligation. This Mortgage constitutes a valid obligation of Mortgagor which is binding and enforceable against Mortgagor in accordance with its terms.

d. No Suit or Action. There is no action, suit or proceeding pending or, to the knowledge of Mortgagor, threatened, at law or in equity before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which might result in any materially adverse change in Mortgagor's title to any of the Collateral or its financial condition or operations, or which would involve the probability of any judgement or liability not fully covered by insurance.

e. Priority. The rights of Mortgagee hereunder are not subordinate to the rights of any third party.

f. Title. Mortgagor is vested in title to the Collateral and the same is free and clear of all security interests and encumbrances of every nature.

5. Expenses Incurred by Mortgagee. Mortgagee is not required to, but may at its option, pay any tax or other charge or

expense payable by debtor and any filing or recording fees and any amounts so paid shall be repayable by Mortgagor upon demand. Mortgagor shall also repay upon demand all of Mortgagee's expenses incurred in collecting, insuring, conserving or protecting the Collateral or in any inventories, audits, inspections or other examination by Mortgagee in respect of the Collateral. All such sums shall bear interest at the default rate stated in the Note until repaid by Mortgagor and such sums and interest thereon shall be secured hereby. The rights granted by this paragraph are not a waiver of any other rights of Mortgagee arising from breach of any of Mortgagor's covenants.

6. Default. Time is of the essence in this Mortgage, and in any of the following events, hereinafter called "Events of Default," to-wit:

(a) Any failure to pay the full amount of any payment of principal, interest, taxes, insurance premiums or other charges which are or may be secured hereby; or

(b) Any failure to perform as required by any covenant or agreement herein, including the above referenced commitment letter or the Note; or

(c) The falsity of any representation by Mortgagor herein or in any credit application or financial statement given by Mortgagor to Mortgagee as a basis for any extension of credit secured hereby; or

(d) If the Collateral should be seized or levied upon under any legal or governmental process against Mortgagor or against the Collateral; or

(e) If Mortgagor becomes insolvent or is the subject of a petition in bankruptcy, either voluntary or involuntary, or in any other proceeding under the federal bankruptcy laws; or makes an assignment for the benefit of creditors; or if Mortgagor is named in or the Collateral is subjected to a suit for the appointment of a receiver; or

(f) Loss, substantial damage to, or destruction of any material portion of the Collateral; or

(g) Entry of any judgment against Mortgagor; or

(h) Dissolution or liquidation of Mortgagor.

Then and in any of such events of default, the entire amount of the Obligations secured hereby shall then or at any time thereafter, at the option of Mortgagee, become immediately due and

payable without notice or demand, and Mortgagee shall have an immediate right to pursue the remedies set forth in this Mortgage.

7. Remedies. In the event of a default hereunder, Mortgagee shall have all remedies provided by law; and without limiting the generality of the foregoing, shall be entitled as follows:

(a) Effective upon Mortgagee's determination that an Event of Default has occurred and is continuing, Mortgagor hereby irrevocably appoints Mortgagee its true and lawful attorney-in-fact with full power (in the name of Mortgagor or otherwise) to exercise to the exclusion of Mortgagor all rights and powers to (a) ask, require, demand and receive all proceeds due Mortgagor with respect to the Collateral and (b) endorse any checks or other instruments or orders in connection therewith. Mortgagor hereby waives any notice of the occurrence of any Event of Default.

(b) Mortgagor agrees to put Mortgagee in possession of the Collateral on demand; and

(c) Mortgagee is authorized to enter any premises where any of the Collateral may be situated and take possession of said Collateral without notice or demand and without legal proceedings; and

(d) At the request of Mortgagee, Mortgagor shall make the Collateral available to Mortgagee at a place designated by Mortgagee which is reasonably convenient to both parties; and

(e) Mortgagor agrees that a period of fifteen (15) days from the time notice is sent, by first-class mail or otherwise, shall be a reasonable period of notification of a sale or other disposition of the Collateral; and

(f) Mortgagor agrees to pay on demand the amount of all expenses reasonably incurred by Mortgagee in protecting or realizing on the Collateral. In the event that this Mortgage or any obligation secured by it is referred to an attorney for protecting or defending the priority of Mortgagee's interest or for collection or realization procedures, Mortgagor agrees to pay a reasonable attorney's fee, including fees incurred in both trial and appellate courts, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this subparagraph shall be secured hereby; and

(g) If Mortgagee disposes of the Collateral, Mortgagor agrees to pay any deficiency remaining after application of the net proceeds to any indebtedness secured hereby.



8. Modifications, Consents and Waivers. No failure or delay on the part of Mortgagee in exercising any power or right under this Mortgage shall operate as a waiver thereof, nor shall any single or partial exercise of any right or power preclude any other or further exercise thereof or the exercise of any other right or power. No amendment, modification or waiver of any provision to this Mortgage, nor consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and consented to by Mortgagee, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Mortgagor in any case shall entitle Mortgagor to any other or further notice or demand in similar or other circumstances.

9. Notices. All notices and requests in connection with this Mortgage shall be in writing and may be given by personal delivery, registered or certified mail, telegram or telex and addressed as follows:

Mortgagor: Centennial Gas Liquids, L.L.C.  
7555 E. Hampden Avenue, Suite 512  
Denver, CO 80231

Mortgagee: Hongkong Bank of Canada  
Attention: Manager  
700 Fifth Avenue, Suite 4100  
Seattle, WA 98104

or to such other address as the party to receive the notice or request shall designate by notice to the other.

10. Binding Effect and Assignment. This Mortgage shall be binding upon and inure to the benefit of Mortgagor, Mortgagee and their respective successors and assigns, except that Mortgagor may not delegate its obligations under this Mortgage without the prior written consent of Mortgagee.

11. Headings. Paragraph headings used in this Mortgage are for convenience of reference only and shall not affect the constructions of this Mortgage.

12. Severability. The unenforceability or invalidity of any provision or provisions of this Mortgage shall not render any other provision or provisions of this Mortgage unenforceable or invalid.

13. Additional Documents. Mortgagor shall, at Mortgagee's request, from time to time, at Mortgagor's sole costs and expense, execute, re-execute, deliver and redeliver any and all documents, and do and perform such other and further acts, as may be required by Mortgagee to enable Mortgagee to perfect, preserve and protect its security interest in the Collateral and its rights and remedies

under this Mortgage or granted by law and to carry out and effect the intents and purposes of this Mortgage. Mortgagor shall not alter or modify the car numbers or serial numbers of the Collateral or register the railroad cars without the written consent of Mortgagee. Mortgagor shall paint the respective car and serial numbers on the exterior of each railroad car.

14. Counterparts. This Mortgage may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

15. Applicable Law. This Mortgage shall be governed by the laws of the State of Washington.

CENTENNIAL GAS LIQUIDS, L.L.C.

By

Its

HONGKONG BANK OF CANADA

By

Its

COLORADO  
STATE OF WASHINGTON )  
 ) ss:  
COUNTY OF KING DENVER )

On this 7<sup>th</sup> day of July, 1997 before me personally appeared Michael Price, to me known or proved on the basis of satisfactory evidence to be the Manager of CENTENNIAL GAS LIQUIDS, L.L.C., the company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument on behalf of said company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Sheila J. Lefor  
NOTARY PUBLIC in and for the  
State of ~~Washington~~ COLORADO  
Printed name: Sheila J. Lefor  
Residing in 1050 17<sup>th</sup> St, Denver, CO 80265  
My commission expires 7-24-99

STATE OF WASHINGTON )  
 ) ss:  
COUNTY OF KING )

On this 11<sup>th</sup> day of July, 1997 before me personally appeared Dan Van Buren, to me known or proved on the basis of satisfactory evidence to be the VP & Deputy Manager of HONGKONG BANK OF CANADA, the financial institution that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said financial institution, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument on behalf of said financial institution.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Wendy Roman Stimach  
NOTARY PUBLIC in and for the  
State of Washington  
Printed name: Wendy Roman Stimach  
Residing in 9805 NE 124<sup>th</sup> ST #106 Kirk WA 98034  
My commission expires 7-19-97

**EXHIBIT A TO MORTGAGE  
(Description of Collateral)**

**MORTGAGOR: CENTENNIAL GAS LIQUIDS, L.L.C.**

**MORTGAGEE: HONGKONG BANK OF CANADA**

Eighteen (18) railroad cars, each 33,687 gallons, 112J34OW, non-coiled railroad tank car with thermal protection, B-612 gauging device, and black DTM exterior paint, as identified as follows:

<u>Reporting Marks and Running Numbers</u>	<u>Serial Numbers</u>
CRPX 9701	525839
CRPX 9702	525840
CRPX 9703	525841
CRPX 9704	525842
CRPX 9705	525843
CRPX 9706	525844
CRPX 9707	525845
CRPX 9708	525846
CRPX 9709	525847
CRPX 9710	525848
CRPX 9711	525849
CRPX 9712	525850
CRPX 9713	525851
CRPX 9714	525852
CRPX 9715	525853
CRPX 9716	525854
CRPX 9717	525855
CRPX 9718	525856